



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0235	Title:	Establish SW Montana veterans' home - use 2 cents cigarette tax money
Primary Sponsor:	Gallus, Steven	Status:	As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$20,000	\$0	\$0	\$0
State Special Revenue	\$24,837	\$0	\$0	\$0
Revenue:				
General Fund	(\$900,492)	(\$886,248)	\$0	\$0
State Special Revenue	\$900,492	\$886,248	\$0	\$0
Net Impact-General Fund Balance	<u>(\$920,492)</u>	<u>(\$886,248)</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal Impact:

The bill forms a site selection committee, selects a site for a new veterans' home in southwest Montana, and directs the Department of Administration to include the project in the long range building program for the 61st legislature. The bill proposes to dedicate 1.2% of FY 2008 and FY 2009 cigarette taxes to construction of this new state veterans' home. The money would be diverted from general fund revenue in both years.

FISCAL ANALYSIS

Assumptions:

Revenue Impact

1. The bill directs 1.2% of state cigarette tax revenue in FY 2008 and FY 2009 to the construction of a new state veterans' home.
2. HJR 2 forecasts total cigarette tax revenue to be \$78,807,000 in FY 2008 and \$77,573,000 in FY 2009.
3. Tribal cigarette revenue collected by the state must be paid back to the tribes as per revenue sharing agreements. HJR 2 forecasts tribal revenue sharing payments to be \$3,766,000 in FY 2008 and

\$3,719,000 in FY 2009. Subtracting for the tribes' share of cigarette tax revenue, the state's share of cigarette tax revenue will be \$75,041,000 (\$78,807,000 - \$3,766,000) in FY 2008 and \$73,854,000 (\$77,573,000 - \$3,719,000) in FY 2009.

- The general fund revenue loss will be \$900,492 (\$75,041,000 x 0.012) in FY 2008 and \$886,248 (\$73,854,000 x 0.012) in FY 2009. This amount of \$1,786,740 (\$900,492 + \$886,248) will go towards the construction of the Southwestern Veterans' Home.

Architecture and Engineering Expenses

- This fiscal note includes Architecture and Engineering Division (A&E) costs and potential construction costs for a facility similar to Eastern Montana Veterans' Home.
- A&E will need 0.50 FTE (band 7) and a laptop computer in FY 2008 to meet the site selection committee obligations of section one of this bill. Additional FTE to support construction are not anticipated at this time.

Board of Veterans' Affairs Expenses

- The Board of Veterans' Affairs is directed to pay the expenses of a committee appointed to conduct a comprehensive process culminating in a most favorable location recommendation to the Governor. It is estimated that the expenses of the committee and Veterans' Affairs staff will be \$20,000 in FY 2008.

<u>Fiscal Impact:</u>	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
FTE	0.50	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$22,637	\$0	\$0	\$0
Operating Expenses	\$22,200	\$0	\$0	\$0
TOTAL Expenditures	\$44,837	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$20,000	\$0	\$0	\$0
State Special Revenue (02)	\$24,837	\$0	\$0	\$0
TOTAL Funding of Exp.	\$44,837	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	(\$900,492)	(\$886,248)	\$0	\$0
State Special Revenue (02)	\$900,492	\$886,248	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$920,493	(\$886,248)	\$0	\$0
State Special Revenue (02)	\$875,655	\$886,248	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

- Local communities may choose to expend funds in order to submit proposals for consideration.
- Local communities may choose to offer land, extension of city services, or other enticements to improve their chance of being selected as the location for the Southwestern Montana veterans' home.
- Communities will see an increase in construction activity in about 2011 and 2012 and will have additional jobs once the facility opens.

Long-Range Impacts:

1. In the future, the new facility will have operational and maintenance costs depending on level of care provided and occupancy.
2. Eastern Montana Veterans' Home was constructed in 1993 at a cost of \$5,572,320. Inflation increases the cost to construct a comparable facility authorized by the 61st to approximately \$9.5 million to account for inflation. Other unquantifiable factors will likely affect the project cost.
3. Communities will offer appropriate land for the veterans' home at no cost to the state as did the communities during the Eastern Montana Veterans' Home selection process.
4. If authorized by the 61st legislature, design (\$810,000) will take place in FY 2010 and construction (\$8,690,000) in FY 2011.

Sponsor's Initials

Date

Budget Director's Initials

Date